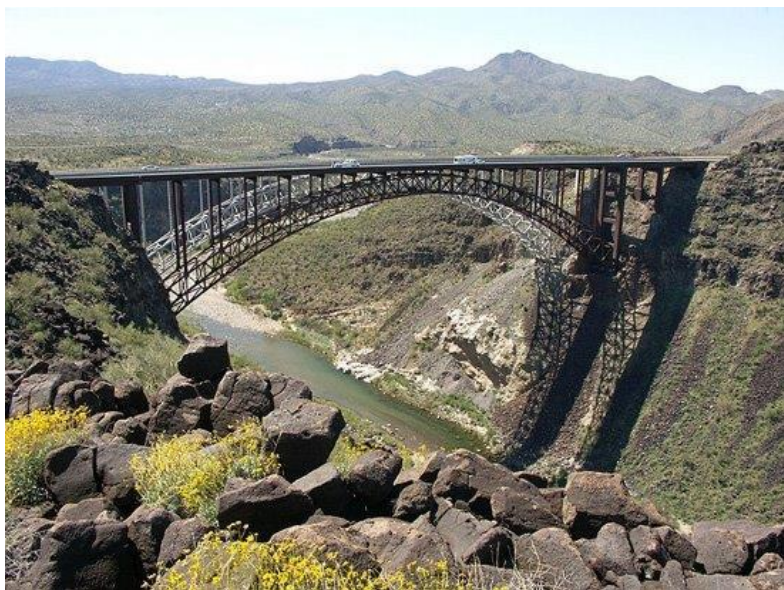


Arizona Department of Transportation 2015 DBE Availability and Disparity Study



July 21, 2014
External Stakeholder Group
Preliminary Results — Draft Overall DBE Goal for
FHWA-funded Contracts

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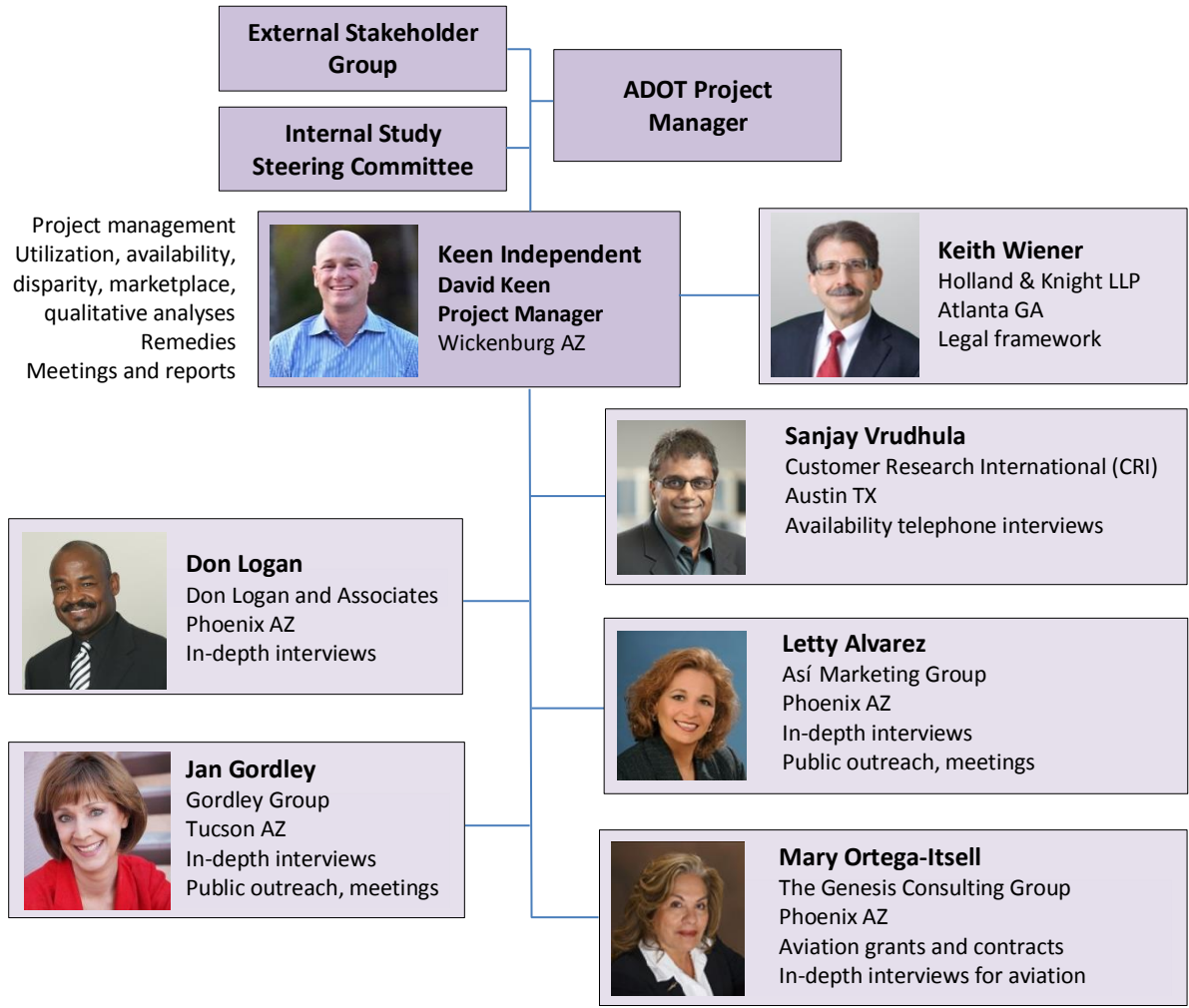
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July 21, 2014 External Stakeholder Group Meeting

1. Study team members
2. Overview of 2014 Availability Study and process for overall DBE goal
3. Study tasks completed from April through July
4. Contract data collection
5. Availability interviews with Arizona businesses
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1. Keen Independent study team



2. Overview of 2014 Availability Study and process for overall DBE goal

- Current ADOT overall annual DBE goal for FHWA-funded contracts is 7.76%
- Current neutral/race-conscious split is 2.68% neutral/ 5.08% race-conscious
- Recent ADOT DBE participation is in the 7-8% range
- ADOT must submit new overall annual goal for DBE participation and neutral/race-conscious projections for FFY 2015, 2016 and 2017
- On August 4, ADOT will publish draft DBE goal and the draft Availability Study for public comments
- 45-day comment period includes four public hearings
- ADOT will consider comments before preparing overall goal submission in Sept.
- Keen Independent will review comments and prepare final report
- 2015 Disparity Study will contain more information
- Therefore, ADOT's proposed overall DBE goal for FHWA-funded contracts is preliminary and subject to refinement once full Disparity Study complete
- 2015 Disparity Study will also include information for overall DBE goals for FTA- and FAA-funded contracts

3. Study tasks completed from April through July

- Informed key groups about the study
- Prepared legal framework and analysis
- Received and reviewed ADOT contract data
- Analyzed distribution of contract dollars by location of contracts and by types of work
- Prepared list of business establishments for availability telephone interviews
- Conducted availability interviews with businesses
- Initiated in-depth personal interviews with business owners and managers, and association representatives
- Prepared quantitative analyses of local marketplace conditions from Census data, telephone interviews and other data
- Examined existing neutral programs (e.g., small business assistance) and other programs in Arizona
- Developed preliminary analyses of base figure and potential step 2 adjustments
- Prepared draft 2014 Availability Study report

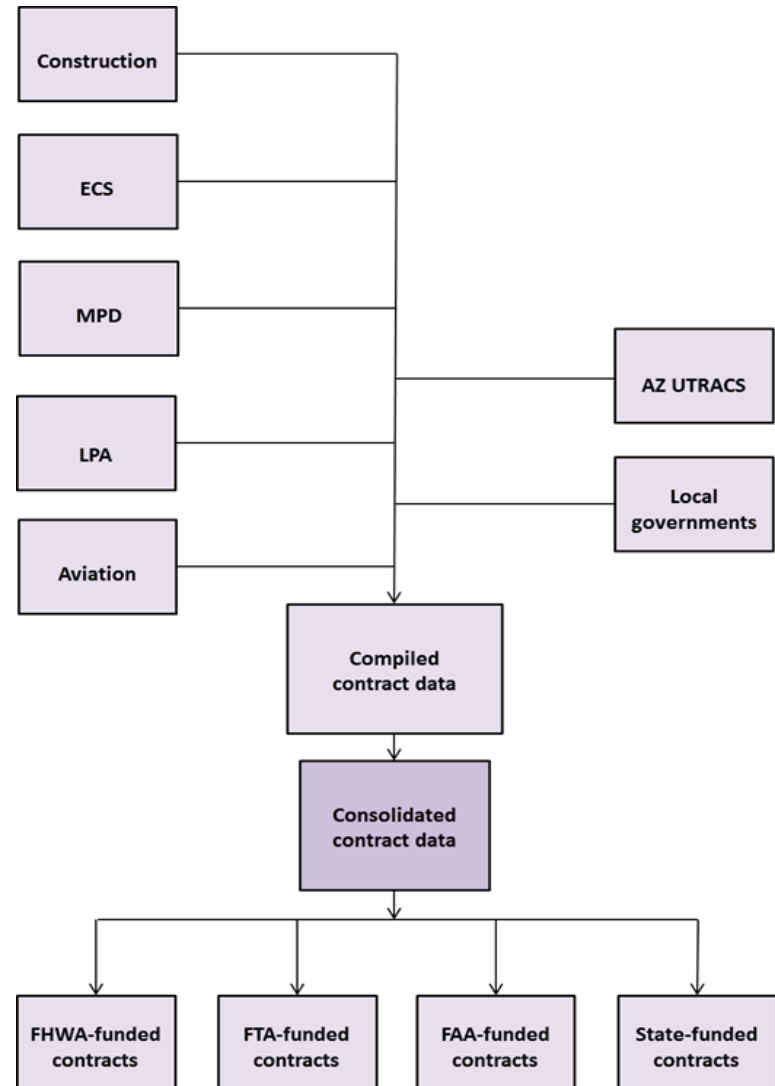
4. Contract data collection

Transportation-related contracts

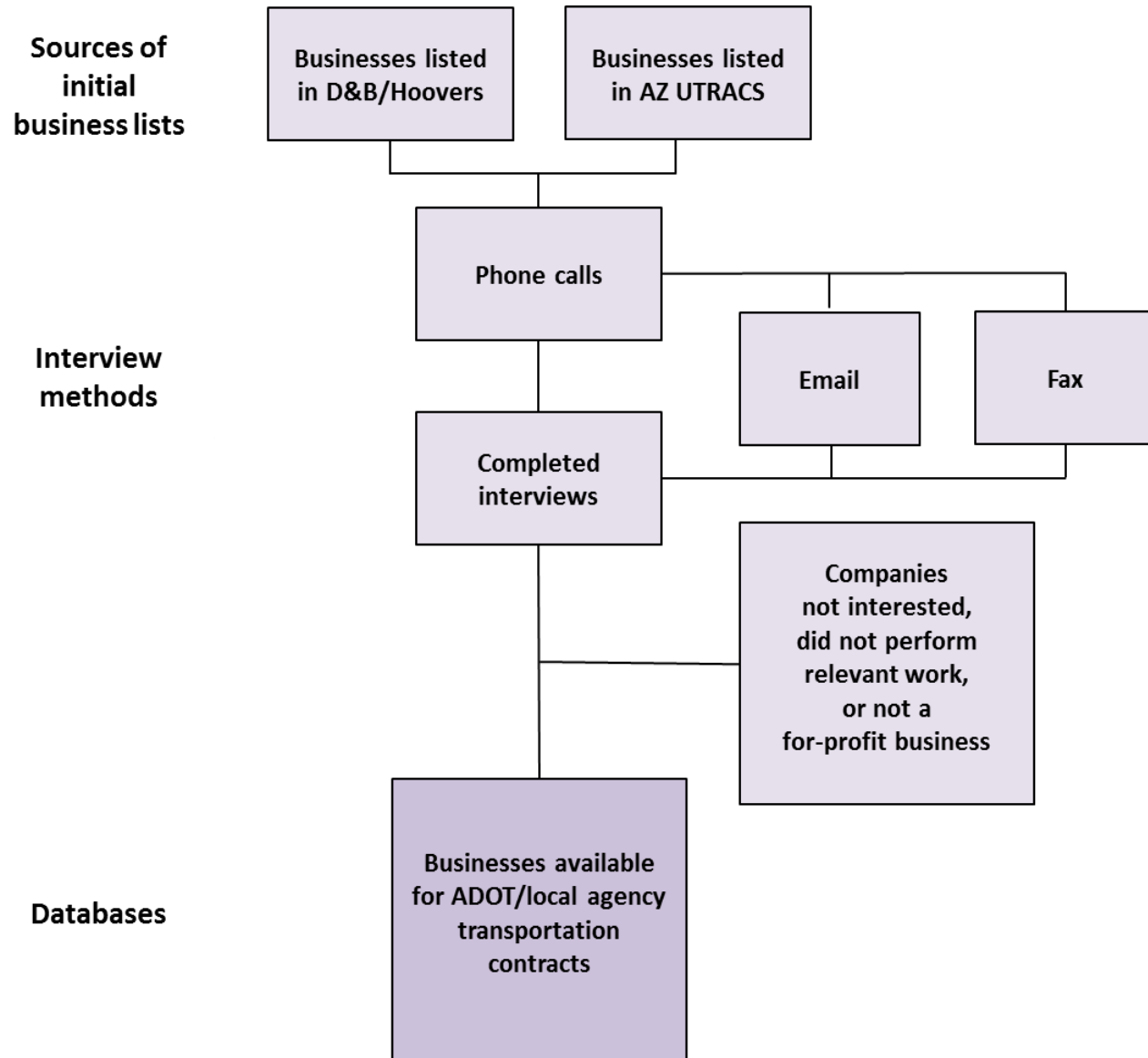
Study period: July 2007 through June 2013

Prime contracts and subcontracts

Includes contract dollars to local agencies



5. Availability interviews with Arizona businesses



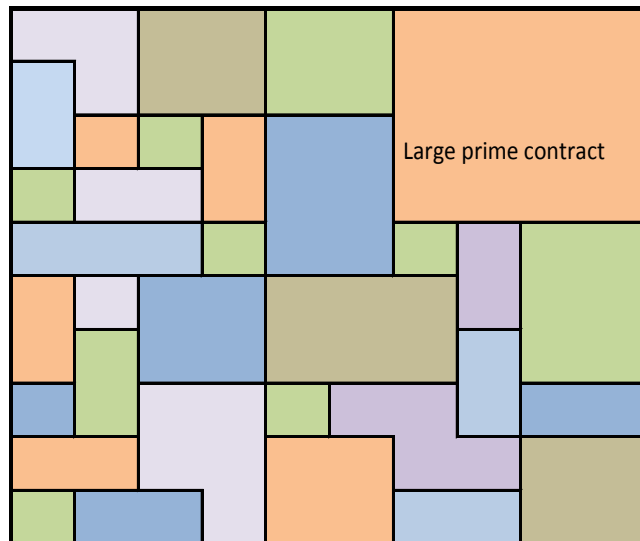
6. Preliminary analysis of current availability – “headcount”

Race/ethnicity and gender	Number of firms	Percent of firms
African American-owned	25	2.3 %
Asian-Pacific American-owned	15	1.4
Subcontinent Asian American-owned	16	1.5
Hispanic American-owned	153	14.3
Native American-owned	<u>33</u>	<u>3.1</u>
Total MBE	242	22.6 %
WBE (white women-owned)	<u>173</u>	<u>16.1</u>
Total MBE/WBE	415	38.7 %
Total majority-owned firms	<u>657</u>	<u>61.3</u>
Total firms	1,072	100.0 %

7. Approach to dollar-weighted analysis of MBE and WBE availability

- Collect information on firms available for different types of FHWA-funded prime contracts and subcontracts through telephone interviews
- Then determine subset of firms that fit each contract/subcontract
- Divides number of MBE/WBEs available by total firms available
 - $63 \text{ MBE/WBEs} \div 142 \text{ total firms} = 44\%$ MBE/WBE availability for one subcontract
 - 0 MBE/WBE availability for largest prime contracts
- Then weight results by \$ involved to calculate total

\$10,500 landscape subcontract on a 2013 FHWA-funded contract for a local agency in Central Arizona
 —
 63 MBE/WBEs
 142 total firms



Prime contracts and subcontracts come in many types and sizes

Note: only some consultants use this approach, many availability analyses are very simplistic

8. Preliminary analysis of current availability – “dollar weighted”

Race/ethnicity and gender	Dollar-weighted availability
African American-owned	1.02 %
Asian-Pacific American-owned	0.32
Subcontinent Asian American-owned	0.92
Hispanic American-owned	5.29
Native American-owned	<u>2.17</u>
Total MBE	9.72 %
WBE (white women-owned)	<u>6.94</u>
Total MBE/WBE	16.66 %

Note: Preliminary and subject to refinement after Disparity Study complete in 2015

9. Preliminary analysis of current availability – converting from MBE/WBE to potential DBE availability

Race/ethnicity and gender	Dollar-weighted availability
Total MBE/WBE	16.66 %
Less MBE/WBEs that exceed revenue threshold	1.92
Less firms that graduated from the DBE Program or denied DBE certification in recent years	<u>1.24</u>
Subtotal	13.50 %
Plus white male-owned DBEs	<u>1.11</u>
Current and potential DBEs	14.61 %

Current DBEs only: 7.06%

Note: Preliminary and subject to refinement after Disparity Study complete in 2015

10. Step 2 adjustment examples

Step 2 adjustment component	Value	Explanation
Lower range of overall DBE goal		
Base figure	14.61 %	From base figure analysis
Adjustment for current capacity	-5.23	1/2 of diff. between base figure and median past DBE participation
Overall DBE goal	9.38 %	
Upper range of overall DBE goal		
Base figure	14.61 %	From base figure analysis
Adjustment for "but for" factors	4.00	"But for" adjustment for business ownership
Overall DBE goal	18.61 %	

Note: Preliminary and subject to refinement after Disparity Study complete in 2015

11. Preliminary projection of neutral portion of overall DBE goal

Component of overall DBE goal	Current FFY 2012- FFY 2014	Example FFY 2015- FFY 2017
Overall goal	7.76 %	9.38 %
Neutral projection	2.68 %	5.44 %
Race-conscious portion	5.08 %	3.94 %

In FFY 2013, 58% of ADOT's DBE achievement was neutral

Above example for FFY 2015 through FFY 2017 uses same ratio
(58% x 9.38% = 5.44%)

Note: Preliminary and subject to refinement after Disparity Study complete in 2015

12. Summary of marketplace information in Availability Study

- Quantitative information about Arizona construction and engineering industries
 - Disparities in access to capital
 - Disparities in business outcomes
- Qualitative information from in-depth interviews completed and analyzed (21)
 - Some indication of barriers for small firms (MBE/WBEs are disproportionately small)
 - Some interviewees report that race/gender a further barrier
 - Some interviewees indicate that it is difficult to obtain work with a prime contractor that they haven't worked with before
 - Some business owners report that ADOT prequalification is a barrier

Note: More extensive qualitative information will be in 2015 Disparity Study

13. Detailed schedule for July through September 2014

July

- 21st External Stakeholder Group
- 22nd Joint Construction/Professional Services Task Forces
- 29th Local agencies

August

- 4th Press release, release of draft report and ADOT's draft overall goal for FHWA-funded contracts
- 18th, 19st, 25th, 27th Public hearings in Tucson, Yuma, Flagstaff and Phoenix

September

- Close public comment period September 17
- Keen Independent prepares final 2014 Availability Study report and ADOT prepares overall DBE goal by end of September
- Submit to FHWA for review

14. Other key tasks and schedule through summer 2015

